

Message Text

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ACTION EUR-12

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FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 275
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC

UNCLAS MONTREAL 657

E.O. 11652: NA
TAGS: ECON, EFIN, CA
SUBJECT: CLIENT CONCERNS LEAD MONTREAL TRUST TO ESTABLISH FEDERAL
FIRM

1. AT ANNUAL MEETING IN MONTREAL YESTERDAY, MONTREAL TRUST
CO. ANNOUNCED THAT IT WAS ESTABLISHING A FEDERALLY-INCORPORATED
TRUST COMPANY TO RESPOND TO CONCERNS OF CLIENTS WHO WERE
WORRIED ABOUT DEALINGS WITH A COMPANY INCORPORATED IN QUEBEC.
HEAD OFFICE, HOWEVER, WOULD REMAIN IN MONTREAL.

2. CHAIRMAN PAUL PAINE SAID THAT COMPANY FACED QUESTIONS
VIRTUALLY ON DAILY BASIS CONCERNING IMPLICATIONS OF ITS
INCORPORATION IN QUEBEC. WHILE FEDERALLY-INCORPORATED TRUST
COMPANY MIGHT MAKE SOME CLIENTS FEEL MORE COMFORTABLE, PAINE
STRESSED THAT TRUST COMPANY ACTIVITIES FALL UNDER JURISDICTION
AND REGULATIONS OF EACH PROVINCE IN WHICH BUSINESS IS CONDUCTED,
REGARDLESS OF WHETHER COMPANIES ARE FEDERALLY OR PROVINCIALLY
INCOPRORATED.

3. PAINE SAID THAT AS FAR AS COMPANY COULD TELL, CLIENTS' CONCERNS
HAD NOT YET BEEN TRANSFERRED TINTO LOST BUSINESS. COMPANY WAS
NOTICING SOME RELUCTANCE, HOWEVER, ON PART OF STAFF TO ACCEPT
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TRANSFERS TO QUEBEC, A DEVELOPMENT WHICH COULD BECOME WORSE OR
BETTER, PAINE SAID, DEPENDING ON NATURE OF HEAD OFFICE LANGUAGE
REGULATIONS TO BE IMPLEMENTED BY PROVINCIAL GOVERNMENT.

4. ACTION BY MONTREAL TRUST FOLLOWS ACTION TAKEN BY ROYAL TRUST
COMPANY LATE IN 1976 TO ESTABLISH A FEDERALLY-INCORPORATED HOLDING
COMPANY IN CALGARY, WHICH MANAGES COMPANY'S INTEREST IN ALL

PROVINCES EXCEPT QUEBEC. PAINE SAID EVENTS WOULD DETERMINE
WHETHER MONTREAL TRUST WOULD FOLLOW SIMILAR POLICY.

5. COMMENT: ACTION BY MONTREAL TRUSE MAY BE VIEWED BOTH AS
HEDGING OF BETS, IN VIEW OF QUEBEC POLITICAL SITUATION, AND
AS PROBABLY LONG TERM DECISION TO TAKE FIRST STEP OF A STRUCTURAL
REORGANIZATION--BEGUN SOME TIME AGO BY OTHER COMPANIES--TO
DETEMPHASIZE MANAGEMENT CONCENTRATION IN QUEBEC.
HARPER

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